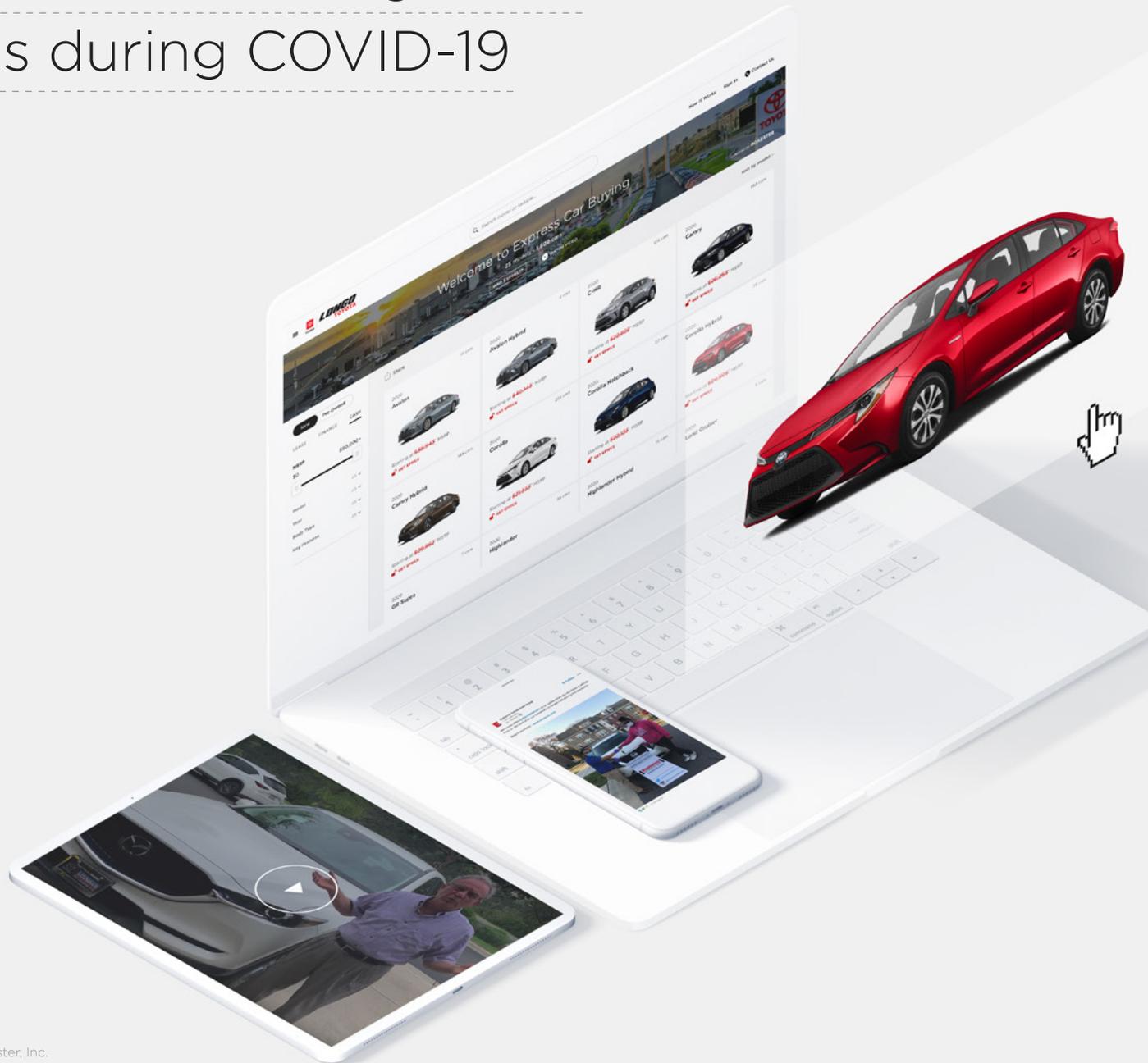


How dealers are doing more with less during COVID-19

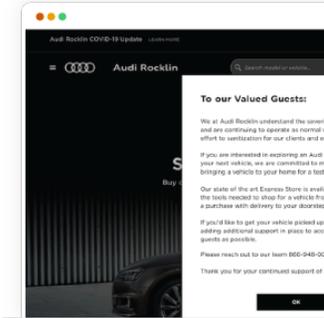
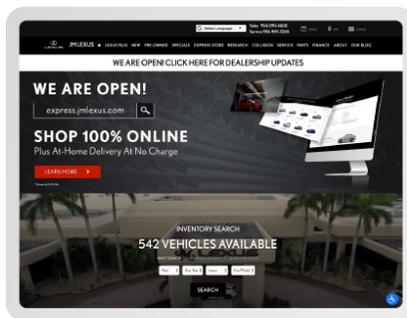
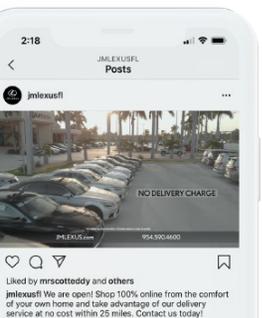


R INTRO

There has never been a more trying time than this for modern automotive dealers.

State restrictions have forced showroom closures. Customer demand has decreased. Workforces have been reduced. While all of this seems quite grim, a recent survey conducted by Roadster and the National Auto Dealers Association (NADA) paints a different picture.

NADA + ROADSTER



In the face of challenge, dealers around the country have demonstrated incredible resilience and ingenuity. They've found ways to maintain some level of business continuity by selling cars online. And even though sales are significantly down in most states, dealers are seeing improvements in key performance indicators that could ultimately lead to a more cost-effective business model as they move forward.

The sales process efficiencies that some dealers are experiencing during this pandemic are best practices that others can learn from and adopt even after we return back to "normal" — whatever and whenever that is.

REAL DEALERSHIP EXAMPLES

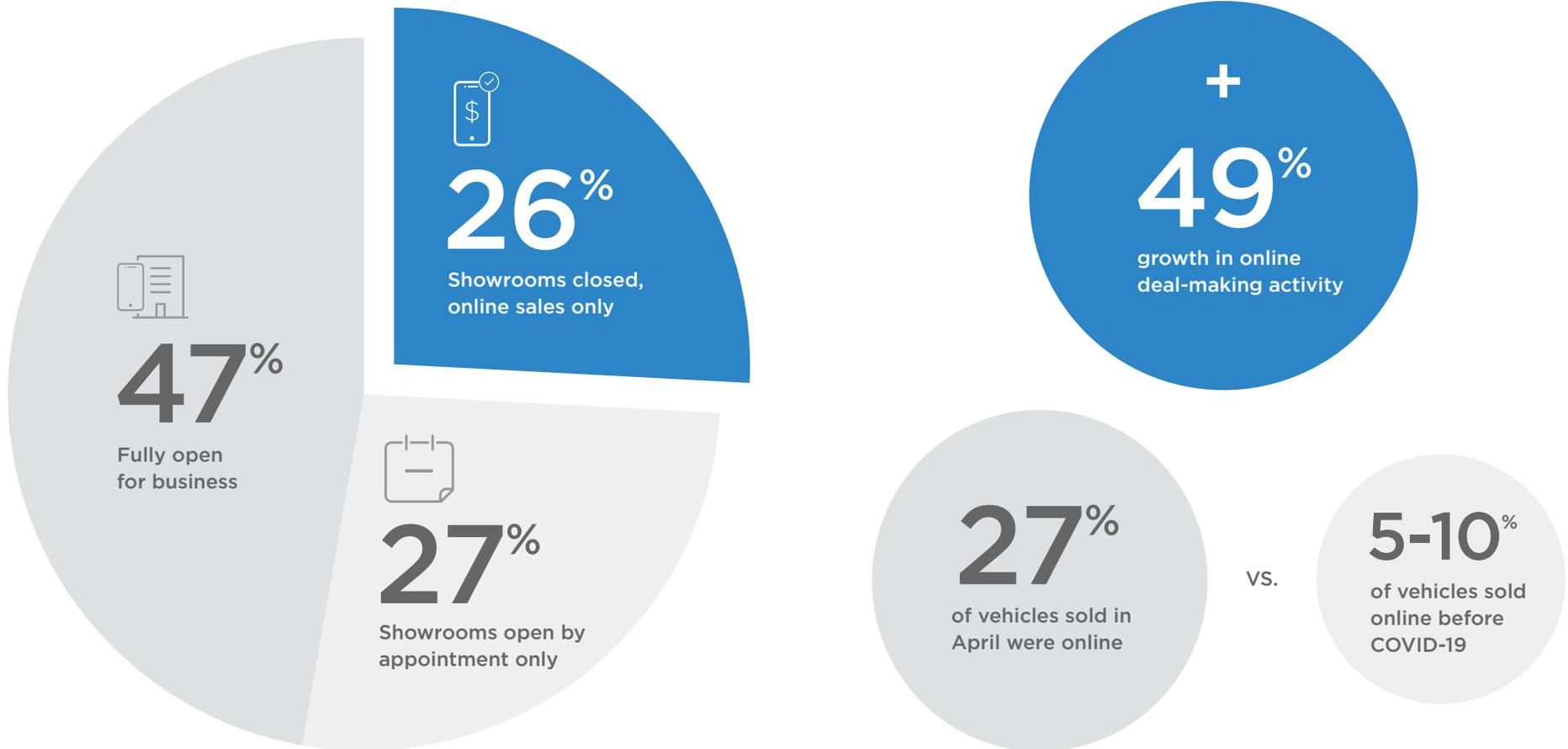
See more at roadster.com/covid19



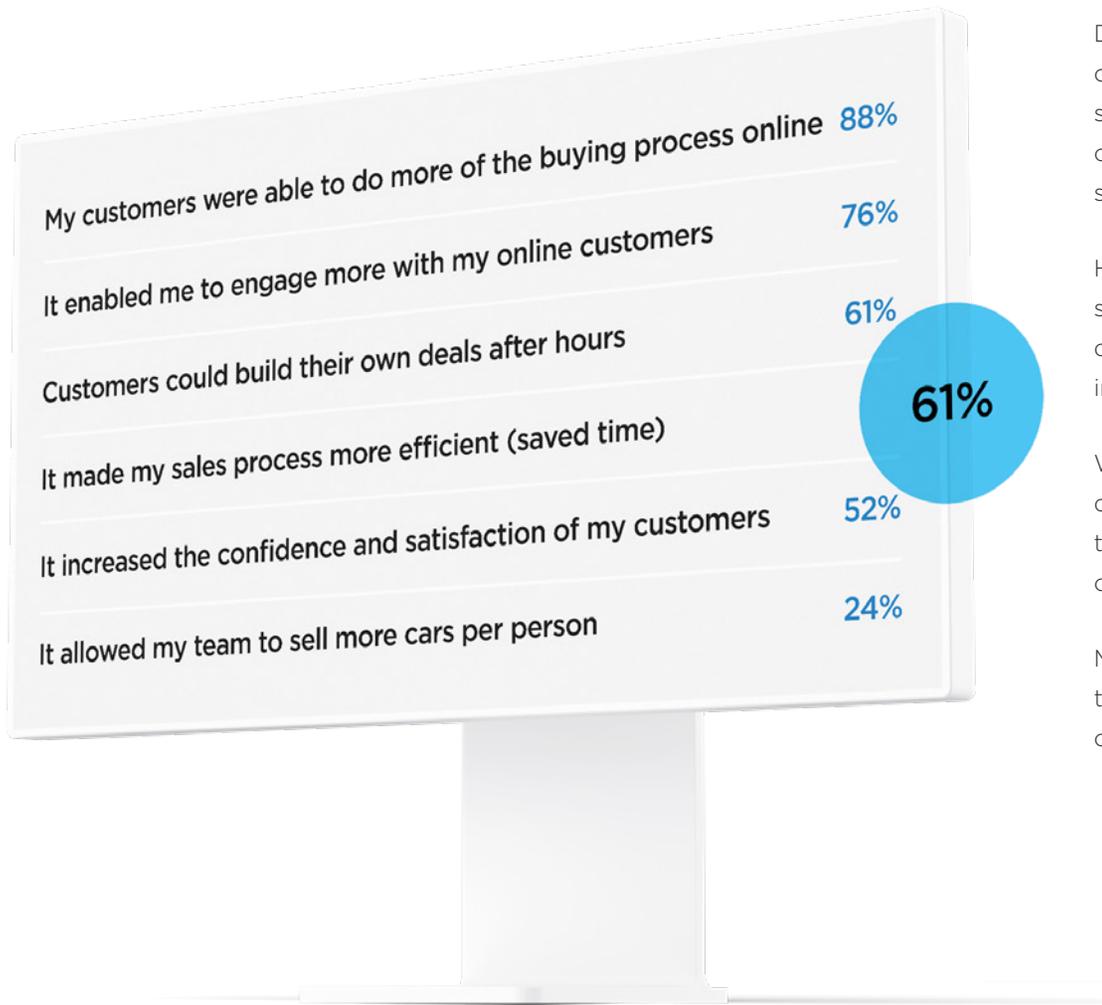
Dealers can still sell cars when showrooms are closed.

When faced with showroom closures during the COVID-19 pandemic, **26% of dealerships transitioned to selling cars 100% online.**

While total sales volume was down in the month of April, **the volume of online deals grew by 49%.** Online car sales accounted for 27% of total cars sold in April, compared to just 5 to 10% in the months preceding the COVID-19 crisis.



Dealers are seeing improvements in engagement, efficiency and satisfaction.



Dealers who are using digital retailing solutions to provide customers with “contactless car buying” during COVID-19 are seeing improvements in key performance indicators, including customer engagement. **Seventy-six percent** of dealers surveyed said they were able to engage their customers more online.

However, the most remarkable learnings centered around sales process efficiency. Of the dealers surveyed, **61%** said that digital retailing improved their efficiency and **24%** were able to increase the number of cars sold per person.

We can surmise that these efficiency gains are, at least in part, due to the fact that customers were able to complete more of the buying process on their own online (**88%**) at a time that was convenient for them (**61%**).

More than half of the dealers surveyed (**52%**) indicated that this more efficient and convenient process increased their customers’ confidence and satisfaction.

R FINDINGS

Online deals can be more profitable with the right process in place.

Of the dealers surveyed, there was nearly an even split between those that saw an increase in frontend gross and those that did not, and a **60/40 split** between those who saw an increase in backend gross and those that did not. The difference? Process.



DEALERS USING
DIGITAL RETAILING
TECHNOLOGY

Positive impact to
frontend gross

52%

Positive impacts to
both new & used
backend gross

60%

VS.

27%

35%



DEALERS WHO DO NOT
HAVE DIGITAL RETAILING
(APRIL VS. BEFORE COVID-19).

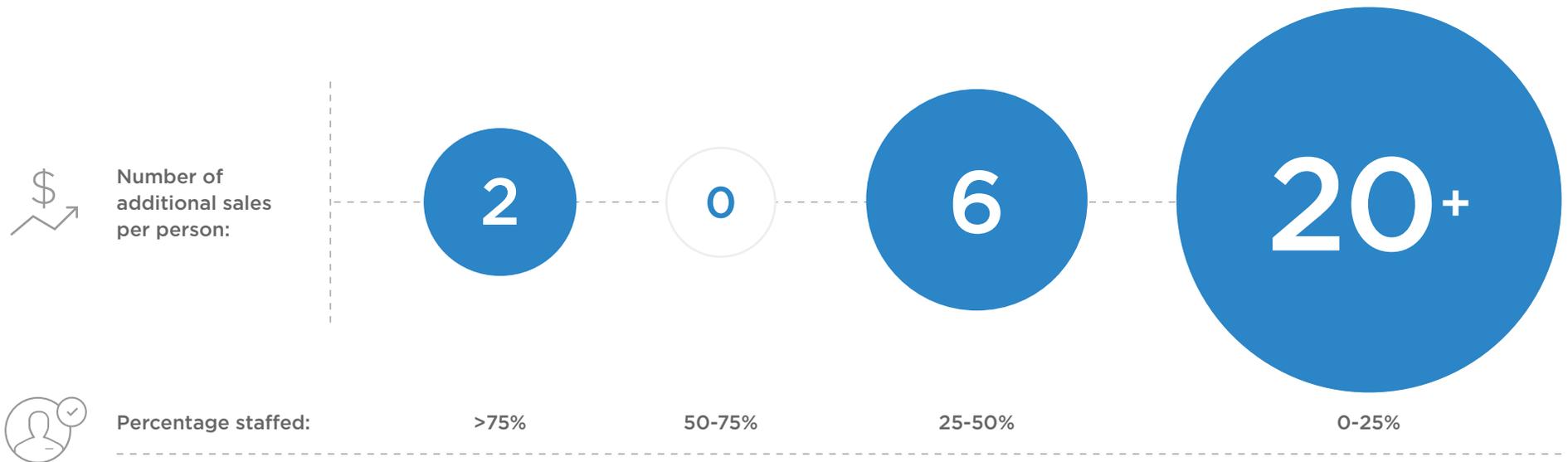
Digital retailing solutions alone are not magic bullets. It's how you use them that counts. To maximize your success, you need to adjust your sales process. Some of our best practices include:

- Identify a digital retailing champion in your store and secure buy-in from your teams
- Promote your online-buying capabilities as a competitive differentiator
- Transform your internet and BDC teams into deal concierges that guide customers through the online-buying process
- Train your sales team to introduce F&I products early and often throughout the buying process
- Evaluate roles, skills and compensation structure to determine if you have the right people for the job
- Use backend tools to manage deals, and gain visibility into customer usage and salesperson performance

These are just a few of the process changes that can make all the difference between digital retailing success and failure. You can [find our full list here.](#)

Our study shows that the effects of digital retailing solutions on frontend gross are less polarizing for dealers who have been using them for 1+ years. Over time, as they refine their sales processes and learn to use the technology to their advantage, they see more stable growth.

Digital retailing enables a more efficient sales process.



While gross profit is a strong indicator of your overall net profit, there are also other factors to consider. Like personnel costs. According to NADA, in 2019, dealers spent an average **\$4.09M in personnel costs**¹.

During COVID-19, dealers have been challenged to explore how they can do more with less. For dealers with digital retailing solutions, the results have been impressive.

According to our study, dealerships with digital retailing solutions are selling an average **18+ cars per person, per month — a 38% increase in average number of cars sold per person, per month** in 2019. Stores with the greatest staff reductions experienced the largest lift — 20+ additional cars per person, per month, resulting in 33+ cars per person in total with digital retailing technology and process efficiencies in place.

Compare this to dealerships that reduced their staff to less than 25% but that did NOT have a digital retailing solution. They only sold an average 13 cars per person in April².

Saving time per transaction enables dealers to sell more with less.

It's easy to see how the operational efficiencies that digital retailing affords increase net profit. But how does digital retailing help dealers sell more cars per person? It comes down to bandwidth. The more time you save per transaction, the more transactions you can complete in a given time.

Our study shows that dealers who closed their showrooms and transformed their internet and BDC "appointment-setters" into online "deal concierges" saved a tremendous amount of time per transaction.

“ We implemented digital retailing in November 2019, which sped up the sales process. It's enabled us to work at an even quicker pace during COVID-19.”

—Survey respondent

And to back this up, **68% of customers reported that it took less than 2 hours to complete their purchase in April, in the midst of the COVID crisis, compared to 43% in February**, before showrooms shut down.

By empowering customers to complete the majority of the deal themselves, dealers not only saved time per transaction, but they were also able to work multiple deals simultaneously, instead of sequentially.

AVERAGE TIME TO PURCHASE						
	Average (hrs)	<1	1-2	2-3	3-4	4+
February	2.31	9%	34%	30%	17%	10%
April	1.71	33%	35%	15%	7%	10%



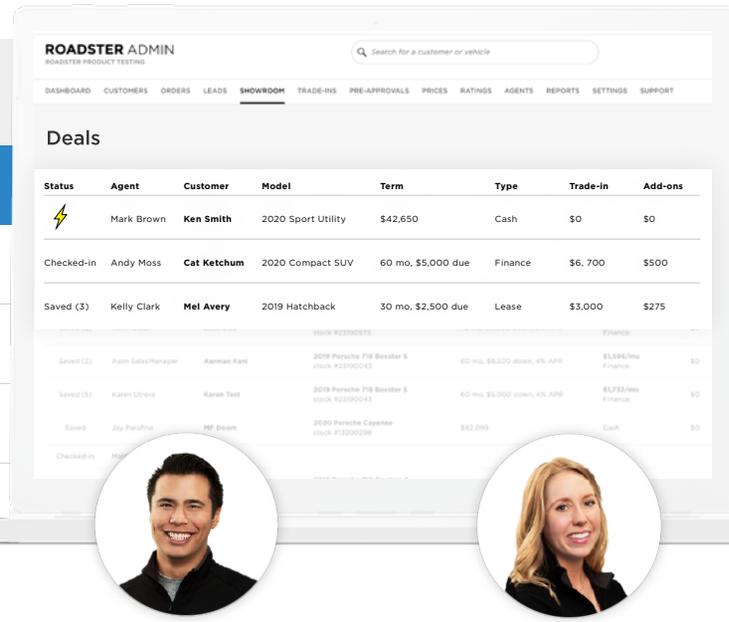
Staff reductions have forced dealers to rethink roles and responsibilities.

By and large, the most successful dealers we've spoken to are those who have teams of just two to three people working some or all of the incoming leads. With sales managers handling the initial engagement, salespeople overseeing the sale and finance hanging paper, these small pods are able to accomplish a lot in a little time.

The blending of these functions has prompted dealerships to re-evaluate roles and the skills needed to support them.

According to our survey respondents, the BDC / Internet and Showroom Sales functions are the most likely to be modified in the future. Dealers are likely to double-down on one of the two, given the similar skill requirements.

ROLES LIKELY TO BE MODIFIED IN THE FUTURE...	
BDC / Internet	23%
Showroom Sales	20%
Sales Managers	11%
F&I	12%
None	56%

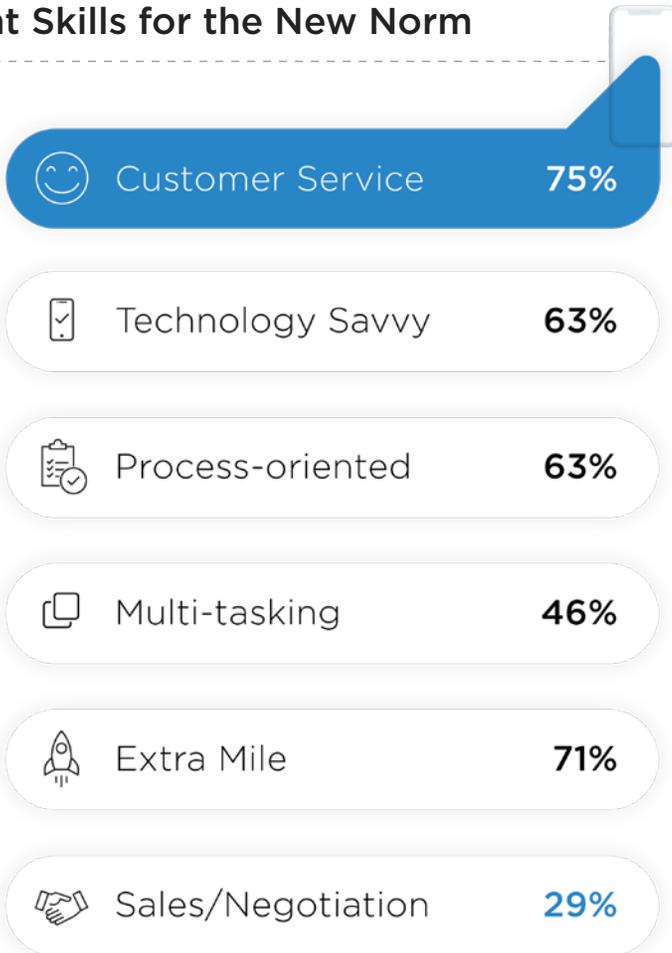


“As a direct result of the shopping-by-appointment-only mandate and customers’ willingness to shop online, we’ve learned to place a greater staffing focus on the BDC.”

—Survey respondent

Customer-service skills matter most to dealers.

Important Skills for the New Norm



As dealerships scrutinize each role and the skills needed to support their desired culture and goals, some telling trends emerge. Of the dealers we surveyed, **75%** said they deem “Customer Service” to be the most important employee skill to support their “New Norm,” followed closely by a willingness to go the “Extra Mile” (**71%**). Other skills that ranked high on the list of importance included “Technology Savvy” (**63%**) and “Process-oriented” (**63%**).

These skills were becoming attractive to dealers even before COVID-19, but this marks the first time that their importance far outranks an employee’s “Sales/Negotiation” skills.

This is indicative of a cultural shift occurring within the industry that focuses on customer experience and a more efficient process to drive profitability. Digital retailing technology supports this by reducing the dependency on high-pressured and inefficient sales processes.

R CONCLUSION

Now's the time for dealers to rethink their business models.

As the demand for car buying returns and dealers focus on bringing back staff to support the recovery, dealers have the opportunity to reflect on the efficiencies they've gained during this time. Who you bring back will be just as important as how many you bring back. Take it from two of our dealer partners who have used this time to significantly optimize their business models.

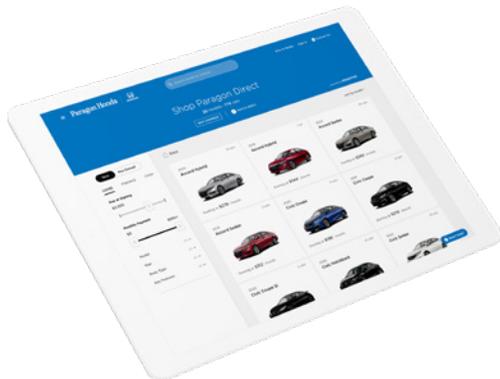
“*If you aren't a tech person in the car business, you aren't going to be in the car business anymore.*”

—Todd Caputo | CEO, SUN AUTO



SUN AUTO

- Online-only sales in Upstate NY
- Sold 268 cars in April across four stores
- Reduced staff from 60 to 20 employees with variable ops working in teams of 3 per store (1 sales manager, 1 auto advisor and 1 finance person)
- Shifted from appointment setting to guiding customers through the online transaction and attracting out-of-state buyers
- Each auto advisor is selling 2.5x more than they were before COVID-19



PARAGON HONDA

- Online-only sales in Queens, NY
- Sold 255 cars in April, 100% online
- Significantly reduced their variable ops to teams of three (2 salespeople + 1 manager)
- Shifted from appointment-setting to guiding the customer through the entire online purchase, and introduced F&I products early in the process
- Top salesperson sold and delivered 46 cars in April, and was the No. 1 salesperson in backend gross



About this study.

Roadster, a leading provider of Omnichannel Commerce solutions whose mission is to evolve the car-buying experience for everyone involved, commissioned a two-part study to determine COVID-19's impact on dealership profitability, when most showrooms have either shut down completely or are seeing limited foot traffic.

The survey was conducted May 6-10, 2020 and included 236 dealers across the Roadster client base, NADA Academy Students, recent NADA Academy Alumni and NADA 20 group members.

ROADSTER

Founded in Palo Alto in 2013, Roadster provides consumer-driven commerce solutions for today's modern dealership. With Roadster's proprietary technology platform, dealerships can provide customers with seamless car buying online and in store. Roadster's comprehensive solution accounts for inventory merchandising, financing and leasing, incentives, trade-ins, service plans and accessories. This enables dealerships to provide customers with near penny-perfect deals in a beautifully designed interface that customers love. Roadster has been proven to dramatically increase dealerships' customer satisfaction scores, while significantly reducing their sales costs.

For more information, please visit Roadster.com. For press inquiries, please contact Rachel Rogers at Rachel@Roadster.com.

NADA

Founded in 1917, the National Automobile Dealers Association represents the interests of new car and truck dealers to the public, the media, congress and vehicle manufacturers. NADA's two main goals are:

1. To promote and enhance the franchise system and effectively communicate dealer views and concerns to all branches of the federal government, to manufacturers and to the public.
2. To strengthen the financial position of members as retailers through professional programs and services that improve the business skills of management personnel and the technical capabilities of non-management employees.